

Response to Ofgem consultation on Priority Services Register Review Final Proposals

17 February 2016

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Ombudsman Services' (OS) response

1 Summary - About OS

Established in 2002, The Ombudsman Service Ltd (TOSL) is a not for profit private limited company which runs a number of discrete national ombudsman schemes across a wide range of sectors including energy, communications, and property.

We are an independent organisation and help our members to provide independent dispute resolution to their customers. Each scheme is funded by the participating companies under our jurisdiction. Our service is free to consumers and, with the exception of an annual subscription from Department of Energy and Climate Change (DECC) for the Green Deal, we operate at no expense to the public purse. OS governance ensures that we are independent from the companies that fall under our jurisdiction and participating companies do not exercise any financial or other control over us.

We have in the region of 10,000 participating companies. Last year we received 220,111 initial contacts from complainants and resolved 71,765 complaints. We saw a year on year increase in complaints of 118% between 2013 and 2014 and a further 35% increase between 2014 to 2015. In the energy industry alone we have witnessed a 336% increase in complaint volumes between 2013 and 2015. The company currently employs more than 600 people in Warrington and has a turnover in excess of £27 million.

In July 2015 the EU Alternative Dispute Resolution Directive (the ADR Directive) came into force requiring all member states to ensure that ombudsman or ADR schemes are available in every consumer sector. The Department for Business Innovation and Skills, the government department responsible for implementing the ADR Directive in the UK, called upon the market to plug the gaps where no ADR provision existed and

to coincide with this in August 2015 we formally launched our new portal (<http://www.consumer-ombudsman.org>). The launch of this website was welcomed by BIS and means that consumers can raise a complaint about a product or service in any sector where there is no existing redress provision - including retail, travel and home improvement.

Our complaints resolution service operates once a company's own complaints handling system has been exhausted, and we have the authority to determine a final resolution to each complaint. Our enquiries department handles primary contacts and makes decisions on eligibility. If a complaint is not for us, or has been brought to us too early, we signpost the consumer and offer assistance. Eligible complaints are then triaged. The simplest can be resolved quickly, usually by phone in two or three hours. Around 10% are dealt with in this way. For the majority of complaints we collect and consider the evidence from both parties, reach a determination and seek agreement; about 55% are settled like this. The most complex cases require a more intensive investigation; they may require more information and lead to further discussion with the complainant and the company to achieve clarification. The outcome will be a formal and binding decision.

Traditionally our key focus has been on handling individual complaints and ensuring that consumers, where appropriate, receive redress. In future we will take a much more proactive role. Firstly, through identifying and tackling issues in individual companies, and making recommendations to improve customer service and complaint handling. Secondly, by identifying systemic industry wide issues and either making recommendations for improvement, or referring them to the appropriate body for action. This will allow us to make a stronger contribution to tackling consumer detriment in the sectors in which we operate, and in addressing emerging problems before they become systemic.

We are 'Good for Consumers and Good for Business'.

For consumers, we offer a free, fast and accessible form of civil justice with no requirement for legal representation or specialist knowledge, and with a particular focus on access for vulnerable consumers. We ensure that complaints are dealt with swiftly

in an impartial manner, and we make decisions based on what is fair and reasonable rather than narrow remit of the law.

For businesses, we offer a fast and low-cost alternative to the courts, and make decisions based on expertise in industries. By looking to resolve disputes, we promote brand loyalty and repeat purchasing as well as building reputation and trust. We offer guidance on improving standards of service hence sharpening competitiveness. We go beyond individual complaints to find broader trends which can be a source of innovation.

More broadly, we provide an efficient and effective means of addressing consumer detriment and building business capability without recourse to the public purse. We take pressure and cost away from small claims court and legal system and help to build consumer confidence which bolsters the economy.

2 Specific response to the questions

OS welcomes the opportunity to respond to the consultation. The consultation sets out a number of questions and OS has the following points to put forward:

Q1. Do you agree with our final proposals for enhancing eligibility and customer identification and the associated proposed licence conditions?

A1. OS supports the broadening of the eligibility requirements to enable decisions on access to priority services to be based on customer need rather than a stringent set of criteria. OS also welcomes the shift towards a greater appreciation of the nature of vulnerability and the fact that this can affect any customer at any time.

These changes may place a greater onus on customer service staff within individual suppliers to use their initiative and professional judgement to identify potentially vulnerable customers. Therefore, it is extremely important that front line staff are given the appropriate training and tools to allow them to do this. This should be done consistently across the industry to ensure that all suppliers are effective at identifying and addressing issues of vulnerability.

Q2. Do you agree with our final proposals for amending the PSR services and the associated proposed licence conditions?

A2. OS supports the move towards an ‘equal outcomes’ based approach to determining which priority services a customer should be offered. If implemented effectively by energy companies, this should provide vulnerable customers with a service which takes into account their individual needs and ensures that they are not disadvantaged due to their personal circumstances, while giving suppliers the flexibility to offer more innovative and bespoke services.

OS would, however, like to highlight that these changes will likely require energy suppliers to manage and provide a much more complex range of customised services to vulnerable customers and so the companies will need to ensure that appropriate systems are in place to deliver these effectively. For example, OS notes that one of the specific proposals is to move away from the current measure of mandatory quarterly meter reads for all customers on the Priority Services Register, and instead offer customers meter reading services to suit their individual needs. This will mean that suppliers will need to keep track of various different arrangements for different vulnerable customers and so careful management of these services will be needed by energy companies to ensure that this added degree of complexity does not lead to issues with the delivery of priority services.

Q3. Do you agree with our final proposals for recording and sharing information about customers in vulnerable situations and the associated proposed licence conditions?

A3. On the issue of sharing information, we support the proposals relating to supplier-to-supplier sharing of vulnerable customer data at the point of switching, as this should help to ensure that customers continue to receive appropriate support when they move to a new supplier. We would highlight that the information provided by the old supplier should include full details of all of the additional services that that particular customer was receiving from them. Not only will this help to ensure that none of these areas of support are inadvertently discontinued in the transition, but additionally this should facilitate the sharing of best practice and innovation between suppliers.

In respect of cases which come to the ombudsman, assuming that informed consent is obtained, we would ask that consideration is given to requiring suppliers to share priority services information with our office at the point that we request the case file from the energy supplier (i.e. confirmation that the customer is on the register, the reason for this, and the specific services that the customer is registered for). This would assist us in our handling of the case, ensuring that the customer's needs are considered, and would also allow us to take account of any vulnerability issues that may be relevant to the complaint itself.

Q4. Do you agree with our final proposals for raising awareness of the priority services, including any specific suggestions for energy companies to improve awareness?

A4. OS welcomes the proposals to promote awareness of the Priority Services Register scheme and we agree that the use of a common 'brand name' is likely to assist in increasing consumers' understanding and take up of the service.

Q5. Do you agree with our final proposals for the approach to monitoring energy company performance in this area?

A5. In addition to the proposed measures for monitoring the performance of energy companies in respect of priority services, OS would suggest that an additional measure which Ofgem could consider look at is the level/quality of training that each company provides to its staff to assist them in identifying vulnerable customers. This will help to ensure that a consistent level of investment is being made across the industry in equipping front line staff to be able facilitate access to priority services.

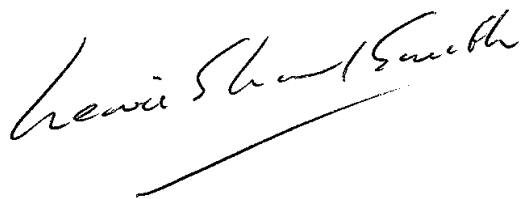
Other comments

Research carried out by OS last year showed that nearly half (45%) of people over the age of 65 are unsure of or do not know what their consumer rights are. Our research also showed that a lack of awareness of consumer rights is one of the main barriers to complaining. OS has undertaken some work to both raise consumer awareness, directly, and to better ensure energy suppliers correctly make consumers aware of their

obligations to signpost to alternative dispute resolution. In order to further ensure that vulnerable customers are not suffering undue consumer detriment due to a lack of awareness of their right to alternative dispute resolution, OS would suggest that priority services might include the auto-referral of complaints from vulnerable customers to the ombudsman once the complaint reaches 8 weeks or deadlock. This would ensure that vulnerable customers do not miss out on the opportunity to have their concerns reviewed by an independent third party, simply due to a lack of awareness of consumer rights which we see amongst some vulnerable groups.

I trust that this answers the consultation questions. We are happy to help with any clarification or further detail which might help.

Yours sincerely



Lewis Shand Smith
Chief Ombudsman & Chief Executive

17 February 2016